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SUBJECT: China's Brilliance Automotive to Enter U.S. Market in September

REF: A)Shenyang 00044, B)Shenyang 00056

1. Summary. Liu Xuemin, General Office Vice-Director of Huachen Group told Econoff recently that, contrary to some trade reports about delays, China's Brilliance Automotive -- the publicly traded arm of state-owned Huachen Group -- will begin exports to the United States in early September of this year (Ref A). The vehicles will be marketed by Autokam, a Scottsdale, Arizona automobile importer. Autokam has committed to import ten thousand vehicles initially and another twenty thousand vehicles during 2008, according to Liu. All vehicles will ship from Dalian Harbor's newly built Automotive Terminal (Ref B). End Summary

2. Liu said flatly that trade reports indicating that Brilliance's models would not reach the American market until 2008 are in error. He said final certifications by safety and environmental testing agencies in the United States will be completed by mid-August and that the first vehicles should leave Dalian by late August for a September U.S. debut, just as American companies introduce their new models for the 2008 model year.

3. Brilliance will begin by shipping E5 and E7 sedans as well as its new E3 roadster. The vehicles are built on the same production lines as the BMW 3 and 5 series vehicles produced by the BMW-Brilliance joint venture, collocated at Brilliance's Shenyang plant. The Brilliance vehicles are roughly the same size as the numerically corresponding BMW vehicles and are comparably equipped. The Brilliance pricing points will be much lower, according to Mr. Liu --the price for the top-end E7 will be in the mid-USD 20,000 range.

4. According to Liu, Brilliance plans to follow its initial entry into the American market with a U.S. rollout of its SUV line in mid-2008. The SUV line was well received at this year's Detroit Auto Show, and the company has decided to move up its plans to introduce the SUV line, which had been scheduled for 2009.

5. Vehicle sales in Europe have exceeded Brilliance's expectations, with 7,000 units sold in the first half of 2007. According to Liu, this increase in sales allowed Brilliance to return to profitability for the first time in more than three years. He said the company is optimistic that second-half sales will be even better than those in the first half of 2007, already up 125 percent year-on-year.

6. Liu said that all vehicles for both the United States and European markets would ship via Dalian's new automotive terminal. He said Brilliance had signed an exclusive agreement with the Port of Dalian in exchange for favorable rates for staging inventory at the port. During a recent visit to the port, Econoff observed more than one thousand Brilliance sedans ready for shipment.

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